

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2617

To amend the Internal Revenue Code of 1986 to exempt small issues from the restrictions on the deduction by financial institutions for interest, to disregard certain amounts of capital expenditures in applying \$10,000,000 limit on such issues, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 10, 1995

Mr. ENGLISH of Pennsylvania (for himself, Mr. FOX, and Mr. UNDERWOOD) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to exempt small issues from the restrictions on the deduction by financial institutions for interest, to disregard certain amounts of capital expenditures in applying \$10,000,000 limit on such issues, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. QUALIFIED SMALL ISSUE BONDS EXEMPT**  
4                       **FROM RESTRICTIONS ON DEDUCTION BY FI-**  
5                       **NANCIAL INSTITUTIONS FOR INTEREST.**

6       (a) IN GENERAL.—Clause (ii) of section  
7       265(b)(3)(B) of the Internal Revenue Code of 1986 (de-

1 fining qualified tax-exempt obligation) is amended by  
 2 striking “or” at the end of subclause (I), by redesignating  
 3 subclause (II) as subclause (III), and by inserting after  
 4 subclause (I) the following new subclause:

5 “(II) any qualified small issue  
 6 bond (as defined in section 144(a)),  
 7 or”.

8 (b) EFFECTIVE DATE.—The amendment made by  
 9 subsection (a) shall apply to taxable years beginning after  
 10 the date of the enactment of this Act.

11 **SEC. 2. \$10,000,000 OF CAPITAL EXPENDITURES DIS-**  
 12 **REGARDED IN APPLYING \$10,000,000 LIMITA-**  
 13 **TION ON FACE AMOUNT OF QUALIFIED**  
 14 **SMALL ISSUE BONDS.**

15 (a) IN GENERAL.—Subparagraph (A) of section  
 16 144(a)(4) of the Internal Revenue Code of 1986 (relating  
 17 to \$10,000,000 limit in certain cases) is amended by add-  
 18 ing at the end the following new flush sentence:

19 “Capital expenditures which would (but for this  
 20 sentence) be taken into account under clause  
 21 (ii) shall be taken into account only to the ex-  
 22 tent such expenditures exceed \$10,000,000.”

23 (b) EFFECTIVE DATE.—The amendment made by  
 24 subsection (a) shall apply to—

1 (1) obligations issued after the date of the en-  
2 actment of this Act, and

3 (2) capital expenditures made after such date  
4 with respect to obligations issued on or before such  
5 date.

6 **SEC. 3. LIMITATION ON LAND ACQUISITION NOT TO APPLY**  
7 **TO QUALIFIED SMALL ISSUE BONDS.**

8 (a) IN GENERAL.—Subsection (c) of section 147 of  
9 the Internal Revenue Code of 1986 (relating to limitation  
10 on use for land acquisition) is amended by adding at the  
11 end the following new paragraph:

12 “(4) EXCEPTION FOR QUALIFIED SMALL ISSUE  
13 BONDS.—Paragraph (1)(A) shall not apply to any  
14 qualified small issue bond.”

15 (b) EFFECTIVE DATE.—The amendment made by  
16 subsection (a) shall apply to obligations issued after the  
17 date of the enactment of this Act.

18 **SEC. 4. REPEAL OF PERCENTAGE LIMITATION ON DI-**  
19 **RECTLY RELATED AND ANCILLARY FACILI-**  
20 **TIES WHICH MAY BE FINANCED BY QUALI-**  
21 **FIED SMALL ISSUE BONDS.**

22 (a) IN GENERAL.—The last sentence of section  
23 144(a)(12)(C) of the Internal Revenue Code of 1986 (de-  
24 fining manufacturing property) is amended by striking  
25 “if—” and all that follows and inserting “if such facilities

1 are located on the same site as the manufacturing facil-  
 2 ity.”

3 (b) EFFECTIVE DATE.—The amendment made by  
 4 subsection (a) shall apply to obligations issued after the  
 5 date of the enactment of this Act.

6 **SEC. 5. REPEAL OF DE MINIMIS LIMITATION APPLICABLE**  
 7 **TO FINANCING OF OFFICE SPACE BY QUALI-**  
 8 **FIED SMALL ISSUE BONDS.**

9 (a) IN GENERAL.—Subparagraph (C) of section  
 10 144(a)(12) of the Internal Revenue Code of 1986 (defin-  
 11 ing manufacturing property) is amended by striking the  
 12 second sentence and by adding at the end the following  
 13 new sentence: “An office shall not be treated as described  
 14 in the 1st sentence of this subparagraph unless—

15 “(i) the office is located on the prem-  
 16 ises of a facility described in such sen-  
 17 tence, and

18 “(ii) not more than a de minimis  
 19 amount of the functions to be performed at  
 20 such office is not directly related to the  
 21 day-to-day operations at such facility.”

22 (b) EFFECTIVE DATE.—The amendment made by  
 23 subsection (a) shall apply to obligations issued after the  
 24 date of the enactment of this Act.

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